



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

1520 Market St., Suite 3005
St. Louis, Missouri 63103-2630
(314) 657-3490
Fax: (314) 552-7670

DR. KENNETH M. STONE, CPA
Internal Audit Executive

November 27, 2012

FILE COPY

Harold Crumpton, President
Greater Ville Neighborhood Preservation
4140 Dr. Martin Luther King Dr.
St. Louis, MO 63113

RE: Community Development Block Grant (CDBG) (Project #2012-CDA39)

Dear Mr. Crumpton:

Enclosed is a report of the fiscal monitoring review of the Greater Ville Neighborhood Preservation, a not-for-profit organization, CDBG Program, for the period January 1, 2011 through December 31, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Greater Ville Neighborhood Preservation. Fieldwork was completed on May 25, 2012.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**GREATER VILLE NEIGHBORHOOD PRESERVATION
CONTRACT #11-31-73
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

PROJECT #2012-CDA39

DATE ISSUED: NOVEMBER 27, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
GREATER VILLE NEIGHBORHOOR PRESERVATION
FISCAL MONITORING REVIEW
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

TABLE OF CONTENTS

Description	Page(s)
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Responses	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3 – 6

INTRODUCTION

Background

Contract Name: Greater Ville Neighborhood Preservation
Contract Number: 11-31-73
Contract Period: January 1, 2011 through December 31, 2011
CFDA Number: 14.218
Contract Amount: \$119,322

The contract provided Community Development Block Grant (CDBG) funds to Greater Ville Neighborhood Preservation (Agency) to revitalize the Ville Neighborhood and redevelop the entire 4th ward and maintain the character of city living by rehabilitating existing structure that holds unique architecture.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2011, through December 31, 2011, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on May 25, 2012.

Exit Conference

An exit conference was conducted at the Agency on November 7, 2012. The Agency was represented at the exit conference by Executive Director and Office manager. The Internal Audit Section was represented by Auditor-In-Charge and Auditor II.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-CDA19 issued January 5, 2012, noted four observations:

1. Opportunity to submit monthly programmatic and financial reports in timely manner **(Repeated)**
2. Opportunity to ensure checks are not pre-signed **(Repeated)**
3. Opportunity to maintain evidence of board of directors oversight to Agency's operation **(Repeated)**
4. Opportunity to improve internal controls over grant disbursements, question costs \$2,000 **(CDA has changed the question cost to \$808.09 - Unresolved)**

A-133 Status

According to a letter received from the Agency dated April 30, 2012, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2011, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements

1. Opportunity to provide adequate board oversight
2. Opportunity to improve cash management (Questioned Costs \$1,773.86)
3. Opportunity to ensure that checks are not pre-signed
4. Opportunity to submit financial and programmatic reports in a timely manner

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Provide Adequate Board Oversight

The Agency does not hold board meetings quarterly as stated by the Agency's President. The Agency's President stated there were only two meetings held for the calendar year 2011. Also, there were minutes taken for only one of these meetings. The one set of board meeting minutes submitted to IAS did not provide detailed information or any discussion of Agency's financial situation or grants.

Sound business practice requires that minutes be taken at each board meeting. Minutes provide evidence of the board's oversight to the organization's operations.

The Agency's President stated that the Board President is not calling meetings quarterly.

Lack of regular board meeting may cause the Agency not to meet the objectives of the grant contract, which ultimately may result in termination of the grant.

Recommendation

It is recommended the Agency's board meet quarterly as stated by the Agency's President and implement a system of internal controls to ensure that records are maintained detailing the matters discussed at the board meetings.

Management Responses

The Agency was given seven business days at the exit conference to respond to the observations and recommendations noted in the report. As of the date of the report, the Agency has not responded.

2. Opportunity To Comply With The CDA Cash Management Policy (Questioned Costs \$1,773.86)

A sample of 39 non-payroll expenditures was tested from the months of January, February, March and December 2011. The Agency did not pay 6 out of the 39 invoices tested within three days of receiving the reimbursement from CDA. See the chart below:

Vendors	Invoice Amount	Check Number	Check Date	Reimb. Date	Reimb. Amount	Late
Ameren	\$140.01	Electronic	4/25/2011	2/10/2011	\$23.64	60 days
Lowes	\$80.92	Electronic	3/3/2011	2/10/2011	\$64.38	17 days
Philadelphia Ins	\$1571.00	Electronic	6/8/2011	4/8/2011	\$1263.30	57 days
STL American	\$290.00	1300	5/10/2011	4/8/2011	\$290.00	28 days
Ameren	\$47.84	Electronic	3/27/2011	1/27/2012	\$43.08	55 days
Laclede Gas	\$144.20	Electronic	3/27/2011	1/27/2012	\$89.46	55 days
Late on Average					\$1,773.86	45.34 days

Section 2.10 (Cash Management) of CDA's Operating Agency Fiscal Procedures Manual states that an Operating Agency must disburse Community Development Administration cash within three working days upon receipt of CDA funds. This policy applies to program grant funds received from the City of St. Louis for unpaid items. If the funds cannot be disbursed within the three-day period, then the funds must be returned immediately to the Comptroller's Office.

The Agency did not have a system of internal controls in place to ensure compliance with the CDA grant funds disbursement requirements

Noncompliance with CDA regulations may result in unallowable costs, the suspension or termination of the federal award.

Recommendation

It is recommended that the Agency:

- Repay the City \$1,773.86 for not disbursing federal funds within three working days after reimbursement.
- Establish a system of internal controls to ensure compliance with CDA grant-fund disbursement requirements.

Management Responses

The Agency was given seven business days at the exit conference to respond to the observations and recommendations noted in the report. As of the date of the report, the Agency has not responded.

3. Opportunity To Ensure Checks Are Not Pre-Signed

Following up on the prior observation, the check register revealed that the Agency's treasurer is still pre-signing grant funded checks before they are made out to the vendors.

Code of Federal Regulations (CFR) 85.20 (B) (3) states "Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

The Agency's President stated that the treasurer is a volunteer, and is not readily available all the time to sign checks.

Pre-signing of checks increases the risk of the grant funds being misappropriated.

Recommendation

It is recommended that the Agency establish and implement a system of internal control to ensure that the grant disbursement checks are not pre-signed. Also recommended to void all the existing pre-signed checks.

Management Responses

The Agency was given seven business days at the exit conference to respond to the observations and recommendations noted in the report. As of the date of the report, the Agency has not responded.

4. Opportunity to Submit Financial Reports in a Timely Manner

From July through December 2011, all of the financial reports were signed by the Agency President on March 13, 2012.

Section 6 of CDA contract #11-31-73 states that the operating Agency shall be required to submit monthly financial reports as specified in the Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month

Non-compliance with the contract requirements may cause a delay or suspension in the processing of reimbursement requests resulting in interruption in the Agency's service of its clients.

Recommendation

It is recommended that the Agency comply with the CDA regulation and submit the program monthly financial and programmatic reports by the 10th of the month following the reporting period.

Management Responses

The Agency was given seven business days at the exit conference to respond to the observations and recommendations noted in the report. As of the date of the report, the Agency has not responded.